

CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

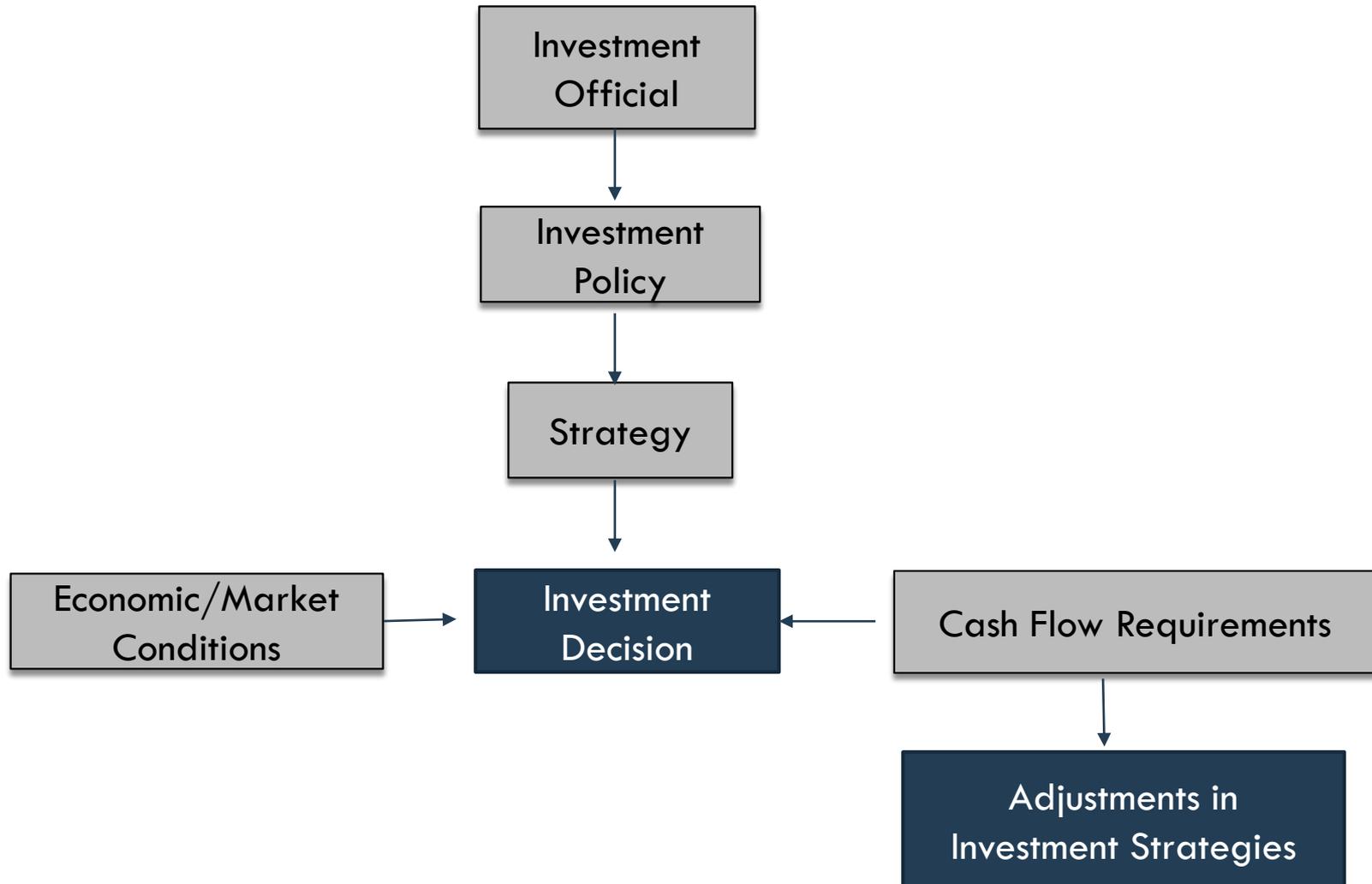


FUNDAMENTALS OF PUBLIC FUNDS INVESTING

INTRODUCTION: RECAP OF DAY ONE

THURSDAY, JANUARY 19, 2017

Prudent Investment Considerations



Historical Lessons

- History of Poor Investment Practices (Characteristics/Behaviors)
- Major Legislative Changes (LAO) – Reporting Mandates
- “I” Stands for Investments

Investment Officers, Staff and Elected Officials

Duty of Care

Duty of Loyalty

Duty of Good Faith

Faith
& Fair Dealing



DUTY OF OBEDIENCE

Roles and Responsibilities of Elected Officials and Investment Officer/Staff



Investment Advisors and Broker/Dealers

- Services
- Roles and Responsibilities
- Regulatory Oversight
- Expectations
- Selection
- Cost



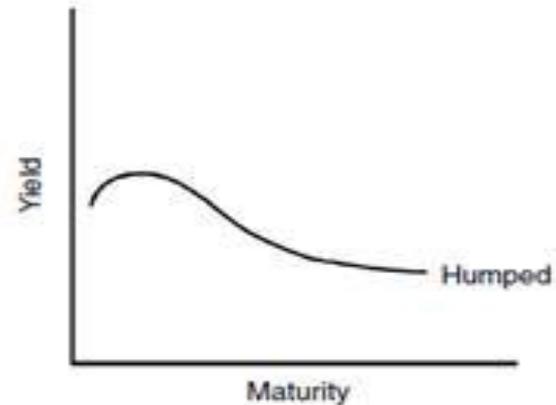
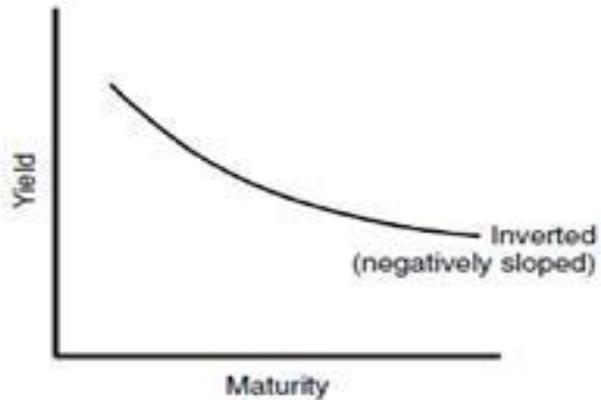
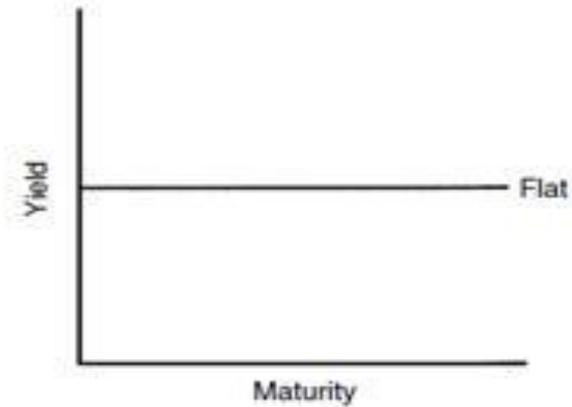
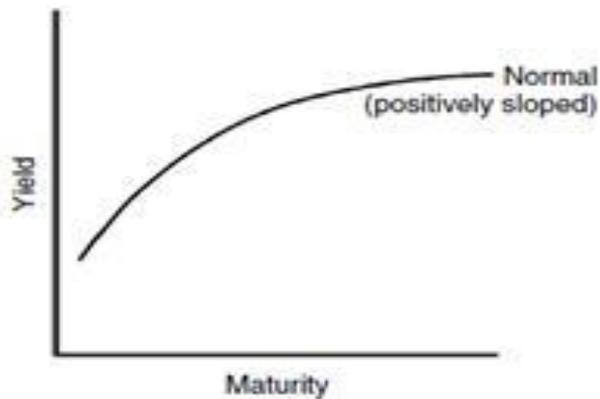
WHO IS IN YOUR CORNER?

Investment Concepts

- Fixed income securities
 - Issuer
 - Maturity
 - Coupon
 - Yield
- Price yield relationship
- Basis point (1 / 100 or 1% or .0001)
- Spread

Investment Concepts

□ YIELD CURVE



Investment Concepts

- Yield Spread
- Risk
- Optional Adjusted Spread
- Duration
- Convexity

CA Government Code and Legal Investments

- Government Code Section 53601.5 requires local agencies to purchase the investments authorized pursuant to Section 53601 or 53601.1

Investment Class:	Treasuries	Agencies	Money Markets (short-term)	Pooled Investments	Corporate Credits	Investments with Restrictions
Instruments	<ul style="list-style-type: none"> T-bills, Notes, and Bonds 53601(b) U.S. T-STRIPS Coupons or Collateralized Bank deposits (53652) Collateralized Mortgage Securities (CMOs) SLGs (mention) 	<ul style="list-style-type: none"> GSEs and their structures Supranationals Local Agency bonds 53601 (a) <p>NOTE: CDIAC did a webinar in 2011 on Agencies which included, GSEs, Farmer Mac, Supnationals and Green Bonds</p>	<ul style="list-style-type: none"> Commercial Paper (h) CDs,(i) CDARs, Deposits and Placement Services Bankers Acceptances (g) Money Market Mutual Funds (2a7)vs. Mutual Funds (l) Repurchase Agreements (j) 	LAIF (16429.1, County Pooled Investments (53635), JPA Pools, CalTrust Investment Pool (p)	Medium Term Notes, etc. (k)	<ul style="list-style-type: none"> ABS CMO MBS Mortgage Pass Throughs (o)

Investment Policy and Objectives

Scope

Objectives

Dealers

Authorized
Investments

Delegation

Ethical and Legal
Standards

Internal Controls

Oversight
Committee

Reporting



Cash Flow and Forecasting

Concepts

Plan and
Execution

Case Study



Second Day

Goal: Concepts to balance a public portfolio's safety, liquidity and Yield thru learning:

-  Selection
-  Strategies
-  Measurements
-  Accounting and Reporting